

UNITED NATIONS  
ECONOMIC  
AND  
SOCIAL COUNCIL



RESTRICTED

E/CEPAL/R.227/Add.23  
September 1980

ENGLISH  
ORIGINAL: SPANISH

CEPAL

Economic Commission for Latin America

ECONOMIC SURVEY OF LATIN AMERICA

1979

PANAMA

This preliminary version of the Economic Survey of Latin America, 1979 is being distributed in 27 separate parts: an Introduction of a general nature, bearing the symbol E/CEPAL/R.227, and 26 Addenda to this document, each containing a study of the economic development of a country of the region. These Addenda will not appear in alphabetical order, but in order of completion. The complete Survey will be published in the usual printed version when the comments arising out of this preliminary version have been collected.

80-4-611



## PANAMA

### 1. Recent economic trends: Introduction and summary

During 1979 there was a general recovery of economic activity following the poor performance during the period 1974-1977 and the slight improvement in 1978. This renewed activity was reflected in an increase of almost 5% in the gross domestic product and 2.4% in the per capita product: more favourable results than those recorded in the period 1974-1977, when the per capita product dropped (see table 1).

As regards the production sectors, there was once again a slight drop in agricultural production, and some important service activities, including various commercial and financial services, grew less rapidly than in 1978. The growth rate of all the other sectors, however, was markedly faster than the year before. The recovery in production activity was shown, for example, by the rise of the growth rate of manufacturing from 1.3% to 5.4%, while construction rose from a negative rate of -4% to a rate of +4%.

Foreign trade rose at an even faster rate in comparison with its performance in previous years. Thus, the value of exports of goods and services rose by approximately 18%: a rate three times as high as that recorded in 1978. This can be attributed in large measure to the growth of services, which play a very important part in economic activity in Panama. At the same time, the value of imports grew even faster (25%), mainly because of a rise of about 20% in their unit value due to the high price of imported fuel.

The volume of imports rose slightly faster than the global product, so that total supply was able to expand more than the preceding year, when it increased by about 5%. However, the appreciable increase in the volume of exports of goods and services meant that their domestic availability rose by only 3.4%, which was nevertheless much higher than their growth rate in the two preceding years and allowed gross fixed investment to increase by slightly more than 6%, although this was not enough to regain the level reached in 1976 but subsequently lost in 1977 and 1978.

/The recovery

The recovery in private investment (13.6%) was particularly noteworthy, since it had remained at a low level in 1978 following the drastic contraction experienced in 1977, which was due in part to the tension and uncertainty produced by the negotiations to regain the Canal Zone and the consequent movement of investments to the international financial system based in Panama.

The dynamic performance of private investment in 1979 was reflected in the revitalization of construction in the second half of the year and the expansion of the installed manufacturing capacity.

In recent years the public sector, which is responsible for about two-thirds of fixed capital formation, has devoted most of its resources to current expenditure, mainly of a social nature, with a view to remedying the problems caused by economic stagnation and unemployment. In 1979 public investment increased by only a little more than 2% and current general government expenditure by nearly 4%.

Although it was services which were mainly responsible for the considerable increase in income from sales of goods and services abroad (one of the variables which contributed most to the economic revitalization during the year), an important part was also played by the increase of more than 13% in exports of goods, which was due to increases in both volume and prices and in which all the main export products, with the exception of bananas, played their part.

However, the still greater increase in imports resulted in an even larger trade deficit which, along with net payments of profits and interest, raised the balance-of-payments current account deficit from US\$ 220 million to US\$ 250 million, and since this latter figure was higher than the net inflow of non-compensatory capital it gave rise to an overall balance-of-payments deficit of US\$ 21 million which had to be compensated for by using an equal amount of international reserves.

As the prices of imports rose much more than those of exports, this caused a marked deterioration (11%) in the terms of trade, and this in turn meant that the gross income rose by a bare 1.6% in 1979 (an increase which was greatly inferior to the increase in the domestic product)

/and that

and that the purchasing power of exports went down. It also helped to accentuate the disequilibrium in the balance of payments and, indirectly, aggravated the external debt situation.

The public and State-guaranteed external debt amounted to US\$ 1,340 million at the end of November 1979: 31% higher than at the end of 1978 and more than twice as high as at the end of 1977.

During 1979 there was also a sharp rise in the fiscal deficit, which increased by 56%, on top of the 33% rise of the previous year, as a result of the rapid growth of expenditure. The means of payment, for their part, rose by about 20%, which was somewhat less than the increase recorded in 1978. The main factor in the 1979 increase was credit granted to the Government and to public bodies.

Thus, conditions in 1979 were such as might be conducive to a very rapid inflationary process: a sharp rise in the price of imports, an appreciable increase in government expenditure with a consequent deterioration in the fiscal position, expansion of the money supply and short supply of agricultural products. However, consumer prices rose by only 8% (variation between annual averages) or 10% (December to December figures) during the year, and although double the rate of inflation of recent years these are still not particularly high figures.

## 2. Recent economic trends

### (a) Total supply and demand

Total supply rose by 5%: a more rapid rate than in the two preceding years. Its components evolved quite evenly, with the product increasing by almost 5% and imports of goods and services by 5.2%, compared with 3.7% in 1978. This expansion of external purchases was entirely due to the volume of goods imported, which rose by a little over 6% in contrast with the growth of only 2.6% recorded in 1978. The volume of services, on the other hand, rose by only 1.5% (see table 2).

On the demand side, exports of goods and services rose at the fairly high rate of 9%, which was a great improvement on the rate recorded in 1978. The international crisis perceived in 1979 does not seem to have affected Panamanian exports, although the country's economy is very open to the exterior.

/Services were

Services were also an important element among exports, although their influence was opposite to that which they displayed in the case of imports. Thus, while exports of services rose by 11% at constant 1970 prices, the increase in the volume of merchandise exports was not quite 6%. It should also be borne in mind that services make up more than two-thirds of the country's total exports.

Owing to the significant increase in exports, which rose at a much higher rate than total supply, the increase in domestic availability of goods and services was only 3.4%, but even so this rate was higher than that achieved during the preceding two years. Capital formation, however, rose by more than 6% after having fallen in 1977 and 1978. Private investment rose markedly (13.6%), while public investment, whose total volume is much higher, increased by 2.4% after having gone down in the previous two years. The main public investment projects in 1979 included completion of work on the Vacamontes fishing port; extension and modernization of storage facilities for farm products by the installation of all storage and drying equipment, thus raising grain storage capacity by 50%; and progress on the construction of the La Estrella and Los Valles hydroelectric stations. At the first of these stations the civil engineering works and the installation of turbines have been completed, while work on the Los Valles station is very well advanced.

General government consumption expenditure rose by around 4%, i.e., faster than the preceding year, in spite of the efforts made to contain it and reduce the rising fiscal deficit. Private consumption, for its part, showed an increase of more than 4%, which was also higher than the rate registered in 1978.

(b) Sectoral trends

With the exception of agriculture, whose product fell slightly in 1979 after having virtually stagnated in 1978, and a few relatively important service activities of various types, which registered only slight growth, the performance of all other activities improved in comparison with the preceding year (see table 3).

/Thus, manufacturing

Thus, manufacturing recovered markedly after its meagre growth in 1977 and 1978, while although the increase in construction was only moderate it returned this sector to the level at which it had stood two years previously.

As regards basic services, electricity, gas and water supply showed an outstanding recovery after their abnormal performance in 1978, and the rate of growth of transport, storage and communications was even higher than it had been in previous years.

The growth rate of financial activity and much of commerce, which had been slow in 1977 and 1978, also speeded up considerably. However, no such vitality was observed in the other services.

(i) Agriculture. The excellent results achieved by agricultural production in 1977 were followed by two consecutive years of decline, the drop in 1979 in comparison with the year before being 2.4% in the case of crop farming and a little over 5% in stock-raising. The drop in the value added in the agricultural sector was, however, not so severe, since after having practically stagnated in 1978, it fell by slightly more than 1% in 1979.

The decrease in agricultural production noted in 1979 was mostly due to the poor results of the 1978/1979 crop season, when production of coffee and also of certain crops for the domestic market fell dramatically (see table 4).

The maize and sorghum crops were among those most severely affected by the excessive rains, which made it necessary to delay sowing and prevented the use of machinery. The rise in production costs has made these crops less profitable and reduced their competitiveness with imported produce, and this has led farmers to replace them with other more lucrative crops. Nevertheless, the demand for these grains for the production of animal feed encouraged late sowing, and it is hoped that an emergency programme sponsored by the Ministry of Agricultural Development will enable maize and sorghum imports, which meet about a quarter of the domestic demand, to be reduced from 600,000 to 200,000 quintals in 1980.

/The 1978/1979

The 1978/1979 bean crop also fell substantially lower, and although the 1979/1980 yield was somewhat higher, it was again necessary to fall back on imports. In 1979 around 43,000 quintals of beans were imported, domestic production in the three preceding seasons having averaged 78,000 quintals. Red beans, which are imported, are one of the staple items in the Panamanian diet, especially in rural areas.

The 1978/1979 rice harvest was about 13% lower than the very high one recorded in the previous season. The Government has been particularly concerned to develop the cultivation of rice, for which Panama has particularly suitable land, and the Agricultural Marketing Institute has been promoting rice-growing in appropriate areas with a view not only to supplying the domestic market but also to producing an exportable surplus. In 1979 rice exports, made up of the surplus from the 1977/1978 crop, were valued at approximately US\$ 3 million.

The rice harvest at the end of 1979, although slightly higher than that of the early months of the year, did not reach the extraordinarily high levels of the 1977/1978 season although the rainy season was a good one and, thanks to the encouragement of the Ministry of Agricultural Development and other official bodies, the area sown had been increased and irrigation had been introduced in some areas. The increase in bank interest rates, which in some cases reached 18%, and the higher prices of fuels caused production costs to climb.

The production of bananas, which remain the leading export crop, rose by 5% in 1978/1979; but during the 1979 crop season production was severely affected (especially in the Barú region) by high winds which demolished 80% of the plantations in this area, which produces a quarter of the national output. Consequently, the value of banana exports dropped by 9%, or by about US\$ 7 million, in 1979.

The good harvests of other export products were not enough to make up for the drop in banana production. There was a marked rise in coffee production in 1979/1980, after the abrupt decline registered in the previous season, thanks to the programme to rehabilitate the coffee plantations and improve their productivity, and cocoa production which is only quite small but which is entirely sold abroad, continued to increase.

/Production of



Production of sugar cane was about the same as in 1978, partly because of the rather discouraging prices on the world market. Since the mills which recently went into operation greatly expanded the sugar-producing capacity of the country, the experience of other Latin American countries is being studied with a view to using sugar cane to produce alcohol for use as a fuel.

Production in the livestock sector declined again in 1979, partly because the implementation of land reform checked the sowing of pastures. Moreover, the official policy of promoting the development of dairy farming, which has made it possible to decrease the importation of dairy products, adversely affected the raising of cattle for meat, with the result that the number of beef cattle has gradually decreased. Consequently, there was a shortage of meat on the domestic market and meat exports fell to such an extent that it was again impossible to meet the import quota of 5 million pounds assigned by the United States.

To encourage stock raising, the Government increased the price of livestock on the hoof from 0.30 to 0.40 balboas per pound, although there is some feeling that this was of greater benefit to the middlemen than to the producers. The rise in the price and the shortage of meat stimulated the growth of poultry farming, which was fairly rapid in 1978 although less so in 1979.

For a number of years the cost of pig raising has been rising at a rate which would seem to be higher than the rise in the price permitted for sales to consumers. Moreover, producers have experienced difficulties in meeting the rapid increase in the demand for pork as a substitute for beef. Some of those difficulties are related to the shortage of pig feed, the importation of which was prohibited in 1978 with the aim of benefiting domestic industry.

Following the signing of the Panama Canal Treaty, the main concern of the Ministry of Agricultural Development has been to conserve the Canal basin and to promote productive activities among the rural families living in the area, including the cultivation of food crops, the reafforestation of the basin and the planting of coffee, cocoa and cashew-nut trees. Efforts are also being made to develop edible species of fish which are resistant to the predatory fish found in lake Gatún.

/Under an

Under an official promotion policy, the fishery sector grew by almost 20% in 1978 and nearly 16% in 1979; however, its relative importance is still slight. Shrimp fishing and processing has developed very rapidly since 1970, and in 1979 shrimp exports brought in receipts of US\$ 45 million.

Thus, the policy of promoting the fishery sector embarked upon a number of years ago has begun to bear fruit. Under this policy, fishermen were organized in co-operatives, support was given to the construction and repair of boats, and more credit was made available to artisan-type fishing. The opening of the port of Vacamontes in the near future will help to expand the fishing industry, and the project initiated during the year to farm oysters on a commercial scale in the Bocas del Toro area should soon begin to yield results.

(ii) Manufacturing. For several years the growth of manufacturing has been slow or virtually stagnated, causing the share of this sector in total production to fall from 16% in 1970 to only about 12% in 1979. However, the sector recovered somewhat during 1979, achieving a growth rate of over 5%, in which a large part was played by traditional manufactures such as beverages and tobacco (8.4%) and footwear, clothing and leather goods (10.4%). The growth of nearly 8% in the production of non-metallic minerals (mainly for construction) was also noteworthy. On the other hand, production of rubber goods, chemicals and petroleum products fell by approximately 10% (see table 5).

For a number of years, the Government has been following a policy of providing incentives for the industrial sector, including the elimination of custom barriers against capital goods and raw materials imported for industry and the application to export industry of a system of income tax reductions through tax certificates known as Certificados de Abono Tributario (CAT). However, the private sector has continued to direct the major part of its investments to commerce, finance and services in general.

Among the new industrial projects which began to operate during the year, mention may be made of a factory manufacturing balanced feed for animals, a glass factory (whose production will make it possible to save 4,000,000 balboas in external purchases), a tobacco factory which will produce 1 million pounds of tobacco a year, and a rum distillery with a  
/production capacity

production capacity of 2 million litres a year (mostly for export). These four projects represent an investment of about US\$ 25 million.

In addition, a paint factory, a factory producing rubber gloves and a foundry manufacturing steel ingots were expanded.

During 1979 it was decided to set up a large free zone for the development of assembly industries.<sup>1/</sup> This zone, which will be an extension of the Colón free zone, will cover almost 50 hectares, accommodating mainly industries for the manufacture of clothing, electronic goods and toys, and will be financed by a loan from the World Bank. It will also accommodate six existing assembly industries, which will be moved to it from the present free zone. One of the chief objectives of this measure is to absorb labour in an area where unemployment and underemployment are rather high.

Steps were also taken to strengthen the implementation of a broad agro-industrial programme, especially through support to small-scale industry by the National Finance Corporation (COFINA), which will provide technical assistance.

In May the Small Businesses Administration was established with the main aim of developing small industries, businesses and services and cottage industries by establishing objectives and programmes of financial, technical and advisory assistance.

(iii) Construction. The product of the construction sector showed little or no growth in 1977, fell by about 4% in 1978, and recovered by a modest 4% in 1979, bringing it back to the level of two years before. This pattern of evolution was closely linked to that of fixed capital formation, which contracted sharply in 1977 and only partially recovered in 1979.

The registers of building permits granted in the District of Panama only indicate that in 1979 non-residential building almost doubled in value while the value of permits for the construction of dwellings fell by 1%. In contrast, the construction of buildings for offices and commercial and

---

<sup>1/</sup> See the Law on Fiscal Incentives for Assembly Industry of January 1979, which grants exemptions from customs duty in respect of all types of equipment, parts and inputs for use in such industries. Assembly industry has the characteristics usually associated with free zones: production on the basis of foreign raw materials and prohibition of the sale within Panama of the goods produced.

/financial establishments,

financial establishments, in which residential apartments are often incorporated, grew considerably. This building boom was accompanied by a rise of between 20 and 30% in the prices of the main building materials. Moreover, in the final months of the year the import duties on some of these materials were raised in an effort to promote their domestic production.

The Ministry of Housing continued to co-ordinate the construction of dwellings by the public sector. Public building is being stepped up in rural areas and small towns, and a programme for the construction of housing in Panama City and Colón is under study.

Infrastructure works included the completion of the Vacamontes fishing port and the civil engineering works for the La Estrella and Los Valles hydroelectric power stations. Work was also continued on some major roads, including the highway to Darién.

(iv) Other production sectors. Mining made only a minimal contribution to the total product. The extraction of minerals grew by 3% during the year, following a drop of over 10% in 1978. Work will soon begin on the construction of installations for the exploitation of the Cerro Colorado copper deposit, which is one of the largest known, and it is hoped that it will be possible to begin moving this deposit in three or four years.

The amount of electricity generated in the metropolitan area rose by nearly 13% in the first nine months of 1979, compared with the same period of the preceding year. In addition, construction of the La Estrella and Los Valles hydroelectric power stations, which will have a total capacity of 90MW, was completed during the year and engineering work on the Fortuna hydroelectric power station, which will not go into operation for some years, continued. The Teribe hydroelectric project, located in Bocas del Toro province, is still under study.

Progress has been made in the integration of the electric power systems, thus permitting more effective use of the installed potential (especially that of the hydroelectric stations) and resulting in valuable savings on fuel.

(c) Evolution of employment and unemployment

It is estimated that the rate of open unemployment was over 8% in August 1978. It would probably have been higher had it not been for the

"Emergency Plan" under which the Government provided about US\$ 100 a month in assistance to nearly 25,000 persons, part of the cost being borne by the public sector budget. This allowance was usually granted in return for low-productivity work requiring little skill. It may be noted that during 1979 the number of people receiving benefits under the Emergency Plan dropped substantially (see table 6).

The revitalization of most economic activities, and especially construction, which employs a very large number of workers, raised the rate of employment. The drop in agricultural production may have hindered this improvement in employment to a certain extent, but it should be borne in mind that during the last months of the year the situation with regard to agricultural production improved.

### 3. The external sector

#### (a) Merchandise trade

Goods only constitute about one-third of Panama's total exports, the remainder being made up of services. In contrast, goods comprise about 80% of the country's total imports.

During 1979 the value of exports of goods rose by 13% (much less than services), thus returning to the level at which they had stood in the middle of the decade. This recovery was due to an increase of approximately 6% in the volume exported and a little more than 7% in prices, the unfavourable evolution of prices having been the main cause of the poor results recorded in recent years (see table 7).

Imports of goods, for their part, rose by 24%, owing mainly to higher petroleum prices. The volume of imports rose by slightly more than 6%, but even so remained 11% below the volume imported in 1974. The unit value of the goods imported rose by around 21%: a rise approximately three times higher than that which would have taken place had it not been for the big petroleum price increases.

The final result of the trade in goods was a deficit of US\$ 770 million, which was US\$ 200 million higher than that of the previous year and was reflected in the deficit on current account and the drop in international reserves during the year.

/Furthermore, the

Furthermore, the difference in the evolution of the prices of exports and those of imports resulted in a further deterioration, this time by 11%, in the terms of trade, which have been worsening since 1975 and have now deteriorated by a total of 40% since that year. Thanks to the gradual increase in the volume of exports since 1977, however, the drop in the purchasing power of exports of goods amounted to only 3.3% in 1978 and 6% in 1979, and the drop in the purchasing power of exports of goods and services was insignificant in those years.

(i) Exports. The value of exports of goods came to US\$ 334 million in 1979. Although this figure represents only 30% of the total income received from abroad from sales of goods and services, it was 13.3% higher than the value recorded in 1978 and almost as high as the value of exports of goods in 1975. Since then, the volume of goods exported has risen by 14% but the unit value has dropped by 12%.

During 1979 sales of the leading export products increased, except in the case of bananas, where sales fell by 9% as a result of the drop in their international price and in the volume exported. It may be recalled in this respect that the banana plantations in the Barú area were hit by a hurricane (see table 8).

As regards exports of marine products, sales of shrimps grew by around 48% and those of fishmeal by 88%, although this latter product still has only a small share in total exports.

Sales of petroleum products, which are the main export item, increased by 20% in 1979 because of the high price of petroleum, thus helping to compensate for the price paid to import crude petroleum. Panama refines petroleum to make fuels which it sells to vessels calling at its ports and passing through the Canal.

Sugar exports also increased in 1979 (by nearly 20%), and coffee exports grew by 8%. Stocks of coffee had been built up in 1978, and its price in external markets increased in the second half of 1979.

In 1978 the new El Bayano cement factory went into operation. This plant mainly produces for export, and in 1979 its sales abroad came to over US\$ 3 million.

/The Department

The Department of External Trade, established in 1978, is promoting the export of non-traditional manufactures such as clothing and footwear, house sidings, plywood, plumbing fixtures, tinned juices and other items, although the value of these sales is still low. During the year fiscal incentives were approved for the assembly industries in the Colón Zone, and this will naturally increase the export of manufactures in years to come.

(ii) Imports. The FOB value of imports of goods rose by 28% in 1979. A large part (21%) of this increase was due to higher prices, especially for petroleum, since the volume of goods purchased seems to have risen only by slightly more than 6%. It has still not been possible to regain the volume of imports recorded in 1974.

Some US\$ 300 million - about a quarter of the value of imports in 1979 - was spent on the purchase of crude petroleum. This was 45% more than in 1978, and is entirely attributable to the higher international price of petroleum.

Imports of products other than petroleum rose by a little over 18%, and, as in 1978, purchases of capital goods predominated because of the revitalization of private investment. Imports of foodstuffs, for their part, continued to grow at a moderate rate (see table 9).

At the end of October the customs duties on various manufactures were increased with a view to promoting their local production. Such manufactures included selected building materials, wooden and metal furniture and certain foods with a high sugar content.

(b) The current account position and its financing

The income from sales of services abroad amounted to US\$ 756 million, representing 69% of total exports of goods and services and an increase of 19% over the income from services in 1978. Factors contributing to this increase included the higher price of sea transport on Panamanian-registered ships.

Payments for services, which play a much less significant role than income from services, rose by nearly 13%. All told, the deficit on the trade account increased by US\$ 108 million in 1979 (see table 10).

/Payments of

Payments of profits, and especially of interest, increased by US\$ 20 million (33%), while there was a slight reduction in the negative balance of private transfers, all of which helped to increase the balance-of-payments current account deficit from US\$ 224 million in 1978 to US\$ 349 million in 1979. This deficit was twice as high as that recorded only two years previously and amounted to almost one-third of total exports of goods and services.

The non-compensatory financing received during the year is estimated at about US\$ 330 million, representing a US\$ 23 million increase over the previous year, but it was still not enough to cover the deficit on current account, so that it was necessary to use US\$ 21 million of the country's net international reserves.

(c) External indebtedness

As of the end of November 1979, the public and State-guaranteed debt had risen by 31% to US\$ 1,340 million (see table 11).

Nearly two-thirds of the debt disbursed up to November 1979 was accounted for by the placement of bonds abroad. Loans by international bodies made up 31% of the debt, and only the remaining 5% was due to private loans and credits. This credit picture is diametrically opposed to the one which emerged in 1978, when 80% of all disbursements came from private sources of financing.

The servicing of the external debt in 1979 absorbed the equivalent of 13.7% of exports of goods and services. Although slightly lower than the proportion recorded in 1978, this is much higher than the figures recorded up to 1977, when the public and State-guaranteed debt was less than half what it was at the end of 1979.

4. Prices and wages

(a) Evolution of internal prices

Although the economy is very susceptible to external influences, consumer prices in the period 1975-1978 rose at a yearly rate of only 4 to 5%. In 1979, however, the economy again came under moderate inflationary pressures, and the consumer price index rose by approximately 8% in terms of the variation between annual averages or 10% on the basis of the December to December figures (see table 12).

/Wholesale prices,



Wholesale prices, which in recent years have tended to rise more rapidly than consumer prices, increased by 14% (variation between annual averages) or 16% (December to December figures), these levels being likewise double those of the previous year.

In 1978 an acceleration had already been noted in the food section of the consumer price index, and this trend became more marked in 1979 in the case of the figures based on the variation between annual averages, although it was less so in the case of the December to December figures. This slackening in the rise of food prices was undoubtedly influenced by the freezing of the prices of a number of products around the middle of the year 2/ and by the improved performance of the agricultural sector in the final months of the year.

For a number of years the economic authorities have been applying a price regulation policy to some basic consumer products, but in many cases this has lessened the incentive to produce and has therefore had a negative effect on supply and prices.

(b) Wages and salaries

The wages and salaries survey carried out in manufacturing industries and commercial and other services establishments in Panama City and Colón indicated that nominal remuneration rose by 7.7% in 1979, while there was almost no variation in real terms (see table 13).

Thus, at least in so far as these branches of production were concerned the gradual deterioration in the purchasing power of wages and salaries continued.

---

2/ Under Resolution 113 of 18 May 1979, the prices of the following essential items were frozen: beef, chicken and pork; locally produced sausages; fish; locally produced sardines; cheese; margarine; macaroni; bread; onions; salt; vinegar; gelatine; powdered, evaporated and pasteurized milk; eggs; locally produced cooking oil, rice; beans; sugar; coffee; vegetables; cream; tinned juices; locally produced soups; products made from tomatoes and meals in restaurants. These regulations expired on 31 December 1979.

In the second quarter, a law was passed providing for adjustment of the wages and salaries earned at the end of 1978. This adjustment benefited all workers except farm and domestic workers and its amount was inversely proportional to the level of wages and salaries received.<sup>3/</sup> During the year some selective adjustments were also made in the minimum wage, which had remained unchanged since 1974. For example, the minimum wage of an agricultural day labourer was increased by 33%.

In 1979 the Government was on countless occasions petitioned to permit the resumption of collective negotiations between management and labour with government participation, which had been suspended under a law passed in 1977. New agreements were negotiated in the most important firms in Panama, including construction companies, and towards the end of the year agreement was reached on new minimum wage scales.

#### 5. Monetary and fiscal policy

##### (a) Money and banking

The international financial centre located in Panama City continued to expand its operations with growing rapidity. Its total assets increased by 43%: i.e., much faster than in the previous two years. In order to gain an idea of the extraordinary dynamism which this market has been acquiring, it may be noted that its total placements amount to 13,000 million balboas, while its total assets are approximately seven times the country's gross domestic product, all this in a monetary banking system with no central bank to control and regulate transactions (see table 14).

The amount of money received in the form of deposits rose by 42%, and 92% of this amount came from foreign banks and non-residents, whose deposits grew more rapidly than those from internal sources. In view of the magnitude of these resources, the freedom with which the system operates and the absence of controls or guidelines establishing limits or quotas for investments, most of the credit is directed abroad.

---

<sup>3/</sup> Under Act No. 10 of 30 May 1979, a scale was established providing for an increase of 25 balboas for monthly salaries up to 150 balboas; 20 balboas, for monthly salaries of between 150 and 250 balboas, and 15 balboas for monthly salaries of between 250 and 300 balboas.

In 1979, however, a change of some importance was observed. Whereas in the preceding year local deposits had amounted to more than 350 million balboas but only 92 million had been invested in the country, in 1979 deposits from local sources amounted to about 250 million balboas, but over 850 million balboas in credit were allocated within the country. Two-thirds of these credits were for deposit in banking establishments, and only the remaining 33% were for loans and discounts for productive activities, mainly commerce and other services and, to a lesser extent, construction, which is an activity more closely linked with the financial system as far as its credit needs are concerned.

(b) Fiscal policy

In 1979 the total expenditure of the central government again rose more rapidly than income, with the result that the fiscal deficit increased.

Current income, including tax revenue, increased significantly (by close on 24%), almost doubling the rate of growth of the preceding year. The biggest expansion was in direct taxes (37%), the growth of which was attributable both to a 26% increase in income tax receipts and to the fact that for the first time revenue was obtained from school insurance premiums. Earnings from indirect taxes rose at a slower rate (14%), while revenue from taxes in foreign trade increased by around 18%, owing in particular to an increase in some import duties (see table 15). The increase in tax revenue during the year was due to a large extent to the controls effected to prevent tax evasion.

As regards non-tax income, transfers of profits of State-owned enterprises increased by 12%, but the main income was from payments of the Canal annuity, which rose from slightly over 2 million balboas in 1978 to almost 15 million balboas in 1979.

Despite the measures to contain public expenditure, which were adopted in 1978 in response to the worsening fiscal deficit, current expenditure rose by 29% in 1979 and capital expenditure by 41%. These were much bigger increases than the year before, especially in the case of current expenditure. The notable expansion of investment contributed notably to the capital expenditure, but on the other hand amortization payments on the public debt

/were less

were less than in 1978 as a result of its renegotiation. The financing of large public works, such as the construction of highways and the Vacamontes fishing port, continued during the year.

The fact that expenditure rose at a higher rate than current income increased the fiscal deficit by 56%, so that it rose to the equivalent of 35% of total expenditure.

Table 1

## PANAMA: MAIN ECONOMIC INDICATORS

	1974	1975	1976	1977	1978	1979(a)
<b>A. Basic economic indicators</b>						
Gross domestic product at factor cost (millions of dollars at 1970 prices)	1 541	1 550	1 534	1 585	1 645	1 725
Population (millions of inhabitants)	1.63	1.68	1.72	1.76	1.81	1.85
Per capita gross domestic product (dollars at 1970 prices)	943	924	891	898	910	932
<b>B. Short-run economic indicators</b>						
<u>Growth rates</u>						
Gross domestic product	0.8	0.6	-1.1	3.3	3.8	4.9
Per capita gross domestic product	-1.9	-2.1	-3.5	0.7	1.3	2.4
Gross income (b)	-0.4	-1.0	-3.5	3.0	2.0	1.6
Terms of trade	3.9	-2.1	-21.3	-1.9	-9.5	-11.3
Current value of exports of goods and services	44.6	13.3	-3.6	7.1	5.7	17.5
Current value of imports of goods and services	56.7	8.5	-4.1	3.3	9.8	25.1
Consumer prices						
December - December	16.7	1.4	4.8	4.8	5.0	10.0
Variation between annual averages	16.8	5.5	4.0	4.5	4.2	7.9
Money	18.3	-9.9	23.6	-2.0	24.8	19.5
Real wages and salaries (c)	...	...	1.2	-0.4	-0.2	-0.2
Rate of unemployment (d)	5.8	6.4	6.7	8.7	8.1	...
Current income of government	20.6	9.5	8.8	7.7	13.8	23.6
Total expenditure of government	29.0	10.4	5.5	7.2	5.9	33.0
Fiscal deficit/total expenditure of government (d)	50.6	29.3	27.1	26.7	29.9	34.9
<u>Millions of dollars</u>						
<b>C. External sector</b>						
Trade balance (goods and services)	-163	-141	-131	-104	-149	-257
Balance on current account	-234	-175	-185	-170	-224	-349
Variation in net international reserves	-12	-22	16	-7	81	-21
Disbursed external debt (e)	359	427	510	614	1 026	1 344(f)

Source: CEPAL, on the basis of official data.

(a) Preliminary figures.

(b) Gross domestic product plus terms-of-trade effect.

(c) Refers to workers in manufacturing, commerce and other services in Panamá City and Colón.

(d) Percentage.

(e) Public and State-guaranteed debt.

(f) At end of November.

Table 2

## PANAMA: TOTAL SUPPLY AND DEMAND

	Millions of balboas at 1970 prices			Percentage breakdown		Growth rates		
	1977	1978	1979(a)	1970	1979(a)	1977	1978	1979(a)
<b>Total supply</b>	<b>1 802</b>	<b>1 870</b>	<b>1 963</b>	<b>140.6</b>	<b>131.7</b>	<b>2.1</b>	<b>3.8</b>	<b>5.0</b>
Gross domestic product at market prices	1 369	1 421	1 491	100.0	100.0	3.3	3.8	4.9
Imports of goods and services (b)	433	449	472	40.6	31.7	-1.7	3.7	5.2
<b>Total demand</b>	<b>1 802</b>	<b>1 870</b>	<b>1 963</b>	<b>140.6</b>	<b>131.7</b>	<b>2.1</b>	<b>3.8</b>	<b>5.0</b>
Domestic demand	1 290	1 331	1 376	103.3	92.3	1.6	3.2	3.4
Gross domestic investment	269	276	276	26.4	18.5	-26.8	2.6	-
Gross fixed investment	260	259	276	24.4	18.5	-27.9	-0.4	6.2
Construction	137(c)	...	...	12.2	...	-34.6(c)	...	...
Machinery	123	...	...	12.2	...	-18.6	...	...
Public	175	171	174	6.4	11.7	-7.4	-2.6	2.4
Private	85	89	102	18.0	6.8	-50.4	4.2	13.6
Changes in stocks	8	16	-	1.9	-	-	-	-
Total consumption	1 021	1 055	1 100	76.9	73.8	13.2	3.3	4.3
General government	233	238	247	14.3	16.6	3.6	2.0	3.8
Private	788	817	853	62.6	57.2	16.3	3.7	4.4
Exports of goods and services (b)	512	539	587	37.3	39.4	3.2	5.3	9.0

Source: 1970-1979: CEPAL calculations on the basis of data supplied by the Statistics and Census Office.

(a) Preliminary figures.

(b) The figures for exports and imports of goods and services were taken from balance-of-payments data expressed in dollars at current prices, which were converted to constant 1970 values, using price indexes calculated by CEPAL for the purpose.

(c) The inconsistency between the magnitude of this rate and the drop in value added in construction shown in Table 3 is apparently due to the fact that investment in construction also includes projects implemented in agriculture, such as earth-saving, clearing and levelling of land, afforestation and new plantations.

Table 3

## PANAMA: GROSS DOMESTIC PRODUCT, BY KIND OF ECONOMIC ACTIVITY, AT FACTOR COST

	Millions of balboas at 1970 prices			Percentage breakdown		Growth rates		
	1977	1978	1979(a)	1970	1979(a)	1977	1978	1979(a)
Agriculture	232	231	228	20.7	17.7	7.7	-0.4	-1.4
Mining	4	3	3	0.3	0.2	8.8	-10.4	3.0
Manufacturing	143	145	153	15.8	11.9	1.0	1.3	5.4
Construction	63	61	63	6.3	4.9	0.2	-3.8	4.1
Subtotal goods	442	440	447	43.1	34.8	4.4	-0.4	1.4
Electricity, gas and water	38	38	43	2.0	3.3	6.5	2.0	12.4
Transport, storage and communications	111	124	142	5.6	11.1	10.7	11.1	15.1
Subtotal basic services	149	162	185	7.6	14.4	9.6	8.8	14.4
Commerce, financial institutions and insurance	162	168	180	14.0	14.0	0.8	3.6	6.7
Real estate (b)	84	88	92	5.9	7.1	2.3	5.1	4.1
Community, social and personal services (c)	354	376	383	29.4	29.7	1.3	6.1	1.9
Subtotal other services	600	632	654	49.3	50.8	1.3	5.3	3.5
<b>Total gross domestic product (d)</b>	<b>1 204</b>	<b>1 250</b>	<b>1 311</b>	<b>100.0</b>	<b>100.0</b>	<b>3.3</b>	<b>3.8</b>	<b>4.9</b>

Source: 1970-1979: CEPAL calculations on the basis of figures supplied by the Statistics and Census Office.

(a) Preliminary figures.

(b) Refers to ownership of dwellings.

(c) Also including restaurants, hotels, business services and services to the Canal Zone.

(d) As the individual activities and the total were calculated independently, the sum of the former does not correspond exactly with the latter.

Table 4

## PANAMA: INDICATORS OF AGRICULTURAL PRODUCTION

	1976	1977	1978	1979(a)	Growth rates (b)		
					1977	1978	1979(a)
Index of agricultural production (1970 = 100)							
Crop-farming	162.8	172.4	169.9	168.2	5.9	-1.5	-1.0
Stock-raising	190.2	197.3	191.4	186.9	3.7	-3.0	-2.3
Production of the main crops (c)							
Paddy rice (d)	3 185	4 105	3 580	...	28.9	-12.8	...
Unmilled maize (d)	1 410	1 757	1 422	...	24.6	-19.1	...
Runner beans (d)	73	89	72	...	22.3	-19.0	...
Sugar-cane (e)	2 396	2 757	2 892	...	15.1	4.9	...
Bananas (f)	2 243	2 380	2 500	...	6.1	5.0	...
Coffee (g)	103	122	35	...	17.9	-70.8	...
Dried tobacco (d)	28	31	33	...	8.4	8.5	...
Indicators of stock-raising production (e)							
Stock (h)							
Cattle	1 361	1 374	1 396	1 437	0.9	1.6	2.9
Pigs	179	202	204	190	12.7	1.1	-6.9
Poultry	4 277	4 422	4 872	4 914	3.4	10.2	0.9
Number of animals slaughtered (h)							
Cattle	241	240	216	196	-0.5	-9.8	-9.5
Pigs	86	96	103	105	11.9	6.9	1.9
Other indicators							
Milk production (i)	73	83	...	...	14.5	...	...
Egg production (j)	279	256	308	295	-8.2	20.0	-4.0

Source: CEPAL, on the basis of data supplied by the Ministry of Agricultural Development and the Office of the Controller-General of the Republic.

- (a) Preliminary figures.  
 (b) Calculated on the basis of unrounded figures.  
 (c) Corresponds to crop seasons beginning in the year indicated.  
 (d) Thousands of quintals.  
 (e) Thousands of tons.  
 (f) Millions of pounds.  
 (g) Thousands of quintals of ground coffee.  
 (h) Thousands of head.  
 (i) Millions of litres.  
 (j) Millions of eggs.

Table 5

## PANAMA: INDICATORS OF MANUFACTURING PRODUCTION

	1976	1977	1978	1979(a)	Growth rates		
					1977	1978	1979(a)
Index of the manufacturing product at market prices (1975=100)	97.7	99.7	101.0	106.6	2.0	1.3	5.5
Foodstuffs, beverages and tobacco	105.4	104.4	105.7	113.9	-0.9	0.7	8.4
Footwear, clothing and leather goods	88.5	72.9	90.6	100.0	-17.6	24.3	10.4
Wood, furniture and fittings	99.2	91.6	64.9	66.4	-7.7	-29.1	2.3
Paper, printing and publishing	80.4	71.7	90.6	94.2	-10.4	26.4	4.0
Rubber, chemicals and petroleum products	...	284.4	251.7	227.6	...	-11.5	-9.6
Non-metallic mineral products	97.5	96.2	92.4	99.4	-1.3	-4.0	7.6
Basic metals and metal products	85.9	77.0	85.3	90.6	-10.4	10.8	6.2
Other manufactures	89.7	84.5	100.0	104.1	-5.8	18.3	4.1
Other indicators of manufacturing industry (b)							
Manpower employed (c)	...	...	186.4	188.3	...	...	1.0
Thousands of man-hours worked by operatives	...	...	2 101	2 157	...	...	2.7
Wages and salaries (d)	...	...	58.5	62.9	...	...	7.5
Value of sales	...	...	527.8	605.7	...	...	14.8

Source: CEPAL, on the basis of data supplied by the Office of the Controller-General of the Republic.

- (a) Preliminary figures.  
 (b) In Panama City and Colón in the period January-September.  
 (c) Thousands of man-months.  
 (d) Millions of balboas.

Table 6

## PANAMA: EMPLOYMENT AND UNEMPLOYMENT(a)

	October	November	August	October	August
	1974	1975	1976	1977	1978
Rate of unemployment	5.8	6.4	6.7	8.7	8.1
<u>Indexes</u>					
Labour force	100.0	95.2	97.7	99.6	104.9
Employment	100.0	94.6	96.8	96.5	102.4
Unemployment	100.0	105.3	112.3	116.0	146.0

Source: CEPAL, on the basis of data supplied by the Office of the Controller-General of the Republic.

(a) Estimates for the whole country on the basis of household surveys.

Table 7

## PANAMA: MAIN FOREIGN TRADE INDICATORS

	1974	1975	1976	1977	1978	1979(a)
<u>Annual growth rates</u>						
Exports of goods						
Value	54.9	31.9	-18.7	6.7	2.6	13.3
Volume	-2.4	17.2	-2.5	3.6	7.0	5.8
Unit value	58.8	12.5	-16.6	3.0	-4.1	7.2
Imports of goods						
Value	66.0	8.2	-4.8	1.1	8.8	28.2
Volume	8.7	-5.9	-10.3	-3.7	2.6	6.2
Unit value	52.8	14.9	6.1	5.0	6.0	20.7
Terms of trade	3.9	-2.1	-21.3	-1.9	-9.5	-11.3
<u>Indexes (1970 = 100)</u>						
Terms of trade	113.1	110.7	87.1	85.5	77.3	68.6
Purchasing power of exports of goods	102.0	117.0	90.1	91.6	88.6	83.2
Purchasing power of exports of goods and services	111.4	109.4	100.4	102.6	102.4	101.9

Source: CEPAL, on the basis of official data.

(a) Preliminary figures.

Table 8

## PANAMA: EXPORTS OF GOODS, FOB

	Millions of dollars				Percentage breakdown		Growth rates (b)		
	1976	1977	1978	1979(a)	1974	1979	1977	1978	1979(a)
Main exports	198	204	198	227	...	68.4	3.0	-2.9	14.6
Petroleum products (c)	66	68	60	72	34.5	21.7	2.9	-11.9	20.4
Bananas	62	66	72	65	19.8	19.5	7.7	7.8	-9.0
Shrimps	34	30	30	45	...	13.4	-11.8	0.8	47.7
Unrefined sugar	26	22	20	24	11.0	7.1	-17.2	-8.8	19.4
Coffee	5	5	9	10	1.7	2.9	-1.4	75.5	7.9
Fish meal	4	11	4	8	0.5	2.4	138.2	-60.8	88.2
Cocoa	1	2	3	3	0.2	1.0	58.1	47.5	5.7
Exports and re-exports to the Canal Zone (d)	22	27	...	...	...	...	22.7	...	...
Other	43	48	...	...	...	...	11.6	...	...
Total (e)	263	279	292	334	100.0	100.0	6.1	4.7	14.4

Source: CEPAL, on the basis of data supplied by the Office of the Controller-General of the Republic.

(a) Preliminary figures.

(b) Calculated on the basis of unrounded figures.

(c) Including sales to ships and aircraft and to the Canal Zone.

(d) Excluding exports of petroleum products.

(e) Totals do not agree with figures given in Table 10 (Balance of Payments), which have been adjusted.



Table 9

## PANAMA: IMPORTS OF GOODS, CIF

	Millions of dollars				Percentage breakdown		Growth rates		
	1976	1977	1978	1979(a)	1975	1979(a)	1977	1978	1979(a)
Total	840	859	942	1 170	100.0	100.0	2.3	9.7	24.2
Foodstuffs	61	69	73	77	7.1	6.6	13.1	5.8	5.5
Crude petroleum	246	268	208	302	14.6	25.8	8.9	-22.4	45.2
Capital goods	143	116	145	791	38.9	67.6	-18.9	25.0	19.7
Other goods	390	406	516		39.4		4.1	27.1	

Source: CEPAL, on the basis of data supplied by the Office of the Controller-General of the Republic.

(a) Preliminary estimates.

Table 10

PANAMA: BALANCE OF PAYMENTS  
(Millions of dollars)

	1974	1975	1976	1977	1978	1979(a)
<b>Current account</b>						
Exports of goods and services	750	850	819	877	928	1 090
Goods FOB (b)	251	331	269	287	295	334
Services	499	519	550	590	633	756
Transport	163	156	145	137	100	118
Travel	122	133	150	171	190	228
Imports of goods and services	913	991	950	981	1 077	1 347
Goods FOB (b)	760	823	783	792	862	1 105
Services	153	168	167	189	215	242
Transport	90	100	95	110	127	146
Travel	31	32	34	35	38	39
Net payments of profits and interest on foreign capital	-57	-23	-41	-55	-60	-80
Profits	10	3	-2	-18	-15	-17
Interest	-67	-26	-39	-37	-45	-63
Net private transfer payments	-14	-11	-13	-11	-15	-12
Balance on current account	-234	-175	-185	-170	-224	-349
<b>Capital account</b>						
Net external financing (a+b+c+d+e)	234	175	185	170	224	349
a) Long-term capital	116	184	726	-115	216	
Direct investment	35	8	-11	9	-9	
Private sector	30	95	208	182	88	
Loans	48	107	248	236	214	
Amortization payments	-17	-23	-41	-58	-126	
Other liabilities and assets (net)	-1	11	1	4	-	
Official sector	62	66	84	105	341	
Loans	138	89	107	122	685(c)	
Amortization payments	-49	-12	-21	-30	-344(c)	328
Other liabilities and assets (net)	-27	-11	-2	13	-	
Banking sector	-11	15	445	-411	-204	
b) Short-term capital (net)	96	-37	-534	269	79	
Private sector	19	-33	-	134	-37	
Official sector	205	305	-13	-37	-	
Banking sector	-5	-195	-368	231	...	
Errors and omissions	-123	-114	-153	-59	116	
c) Allocations of Special Drawing Rights (SDRs)	-	-	-	-	-	
d) Official transfer payments (net)	10	6	9	9	10	
e) International reserves (minus sign indicates and increase)	12	22	-16	7	-81	21
Use made of IMF credit	9	12	29	-1	-2	-11
Other liabilities	-	-	-	-	-	-
Monetary gold	-	-	-	-	-	-
Special Drawing Rights	-	-5	2	1	1	-
IMF reserve position	10	-	-	-	-5	2
Foreign exchange and other assets	-7	15	-47	7	-75	30

Source: 1974-1977: International Monetary Fund, Balance of Payments Yearbook, vol.30;  
1978-1979: CEPAL, on the basis of official data.

(a) Preliminary figures.

(b) Including non-monetary gold.

(c) Including part of the banking sector.

Table 11

PANAMA: INDICATORS OF EXTERNAL INDEBTEDNESS  
(Millions of dollars)

	1974	1975	1976	1977	1978	1979(a)
Public external debt and State-guaranteed						
private debt	359	427	510	614	1 026	1 344
International agencies	...	...	...	98	111	209
Foreign bonds	...	...	...	37	108	312
Private financing	...	...	...	475	802	819
Suppliers credit	...	...	...	4	5	4
Servicing of external debt	42	38	53	65	132	149
Amortization payments	9	9	17	29	59	40
Interest payments	33	29	36	36	73	109
Servicing of external debt, as a percentage of exports of goods and services	5.6	4.5	6.5	7.4	14.2	13.7

Source: CEPAL, on the basis of data supplied by the Office of the Controller-General of the Republic of Panama.

(a) Up to November.

Table 12

PANAMA: EVOLUTION OF DOMESTIC PRICES

	1974	1975	1976	1977	1978	1979
<u>Variation of December to December</u>						
Consumer price index	16.7	1.4	4.8	4.8	5.0	10.0
Food	21.2	0.4	2.9	2.6	9.2	8.8
Wholesale price index	27.0	12.3	3.8	9.1	7.0	15.7
<u>Variation between annual averages</u>						
Consumer price index	16.8	5.5	4.0	4.5	4.2	7.9
Food	22.8	6.8	1.4	3.0	6.2	10.2
Wholesale price index (a)	30.2	14.0	7.8	7.2	5.4	14.0

Source: CEPAL, on the basis of data supplied by the statistics at Census Office.

(a) Average for the four months in which data on wholesale prices is sought (March, June, September and December).

Table 13

PANAMA: EVOLUTION OF WAGES AND SALARIES

	1976	1977	1978	1979(a)
<u>Indexes (1975 = 100)</u>				
Wages and salaries (b)				
Nominal (total)	100.9	105.7	111.8	123.2
Nominal (per wage-earners)	105.2	109.6	114.0	122.8
Real (total)	97.0	97.2	98.7	100.7
Real (per wage-earners)	101.2	100.8	100.6	100.4
<u>Growth rates</u>				
Wages and salaries				
Nominal (total)	0.9	4.8	5.8	10.2
Nominal (per wage-earners)	5.2	4.2	4.0	7.7
Real (total)	-3.0	0.2	1.5	2.0
Real (per wage-earners)	1.2	-0.4	-0.2	-0.2

Source: CEPAL, on the basis of figures supplied by the Office of the Controller-General of the Republic.

(a) Preliminary figures.

(b) Corresponds to workers in manufacturing, commerce and other services in Panama City and Colón.

## Cuadro 14

PANAMA: CONSOLIDATED BALANCE OF THE BANKING SYSTEM  
(Millions of balboas)

	Balance at end of each year				Growth rates		
	1976	1977	1978	1979(a)	1977	1978	1979(a)
<b>Assets</b>	<b>9 865</b>	<b>12 435</b>	<b>16 064</b>	<b>23 036</b>	<b>26.1</b>	<b>29.2</b>	<b>43.4</b>
Liquidity	3 132	3 769	5 082	8 901	20.3	34.8	75.1
Cash holdings	39	47	53	...	20.5	12.8	97.4(b)
Sight deposits in banks and agencies	127	227	97	...	78.7	-57.3	-3.4(b)
By foreign banks (c)	81	163	47	...	101.2	-71.2	-23.0(b)
By local banks (d)	46	64	50	81	39.1	-21.9	62.0
Time deposits in banks and agencies	2 405	2 949	4 847	...	22.6	64.4	45.9(b)
By foreign banks	1 937	2 521	4 248	7 208	30.1	68.5	69.7
By local banks	188	295	324	860	56.9	9.8	165.4
By agencies	280	133	275	...	-52.5	106.8	-73.5(b)
Deposits in the International Monetary Fund	18	17	18	...	-5.6	5.9	-17.6(b)
Other assets	542	529	67	...	-2.4	-87.3	28.5(b)
Investments	6 490	8 208	10 480	13 318	26.5	27.7	27.1
Loans and discounts	6 371	8 045	10 339	13 061	26.3	28.5	26.3
Securities	119	162	141	257	36.1	-13.0	82.3
Others	243	458	502	817	88.5	9.6	62.7
<b>Liabilities</b>	<b>9 865</b>	<b>12 435</b>	<b>16 064</b>	<b>23 036</b>	<b>26.1</b>	<b>29.2</b>	<b>43.4</b>
Sight deposits	644	721	807	1 091	12.0	11.9	35.2
By the private sector	186	209	242	258	12.4	15.8	6.6
By the public sector	42	107	204	148	154.8	90.7	-27.5
By foreigners	129	130	161	224	0.8	23.8	39.1
By foreign banks	250	237	150	41	-5.2	-36.7	174.0
By local banks	37	38	50	50	2.7	31.6	-
Time deposits	8 236	10 831	14 398	20 563	31.5	32.9	42.8
By the private sector	498	588	708	869	18.1	20.4	22.7
By the public sector	-	-	-	-	-	-	-
By foreigners	1 180	1 294	1 460	2 066	9.7	12.8	41.5
By foreign banks	6 237	8 692	11 881	17 151	39.4	36.7	44.4
By local banks	232	257	349	477	10.8	35.8	36.7
Liabilities in respect of banks and international agencies	582	174	164	204	-70.1	-5.7	24.4
Other liabilities, capital and reserves	404	709	695	1 178	75.5	-2.0	69.5

Source: National Banking Commission of Panama.

(a) Preliminary figures.

(b) Variation between September 1978 and September 1979.

(c) Including banks and agencies in the former Panama Canal Zone.

(d) Including deductions from liabilities.

Table 15

## PANAMA: CENTRAL GOVERNMENT INCOME AND EXPENDITURE

	Millions of balboas				Growth rates (b)		
	1976	1977	1978	1979(a)	1977	1978	1979(a)
<u>Current income</u>	<u>323</u>	<u>448</u>	<u>397</u>	<u>490</u>	<u>7.7</u>	<u>13.8</u>	<u>23.6</u>
Tax revenue	224	281	321	399	25.4	14.4	24.2
Direct	109	130	134	183	19.3	3.2	36.5
Indirect	61	96	119	136	57.4	24.0	14.3
On foreign trade	54	55	68	80	1.9	23.4	17.5
Non-tax revenue	99	67	76	91	-32.3	13.4	19.7
<u>Current expenditure</u>	<u>310</u>	<u>342</u>	<u>385</u>	<u>498</u>	<u>10.3</u>	<u>12.6</u>	<u>29.4</u>
Wages and salaries	178	186	198	...	4.5	6.5	...
Other current expenditure	132	156	187	...	18.2	19.9	...
 Saving on current account	 13	 6	 12	 -8	 -53.8	 100.0	 ...
<u>Capital expenditure</u>	<u>133</u>	<u>133</u>	<u>181</u>	<u>255</u>	<u>-</u>	<u>36.1</u>	<u>40.9</u>
Fixed capital, financial investment and transfers	105	97	114	199	-7.6	17.5	74.9
Amortization of the debt	28	36	67	56	28.6	86.1	-16.4
<u>Total expenditure</u>	<u>443</u>	<u>475</u>	<u>566</u>	<u>753</u>	<u>7.2</u>	<u>19.2</u>	<u>33.0</u>
<u>Fiscal deficit</u>	<u>-120</u>	<u>-127</u>	<u>-169</u>	<u>-263</u>	<u>5.8</u>	<u>33.1</u>	<u>55.6</u>
Financing of deficit							
Domestic financing	25	6	4	...	-76.0	-33.3	...
External financing	95	121	165	...	27.4	36.4	...

Source: CEPAL, on the basis of official figures.

(a) Preliminary figures.

(b) Calculated on the basis of unrounded figures.